ANNUAL REPORT 2007

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO /
CONSEIL DES EXPERTS-COMPTABLES DE LA PROVINCE DE L'ONTARIO

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ABOUT THE COUNCIL

The Public Accountants Council for the Province of Ontario (the Council) is a corporation without share capital that was continued under the *Public Accounting Act, 2004*. The purpose of the Council is to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services.

The Council is responsible for:

- developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;
- determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;
- overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and
- maintaining public confidence in public accounting through the appropriate prosecution of offences under the *Public Accounting Act, 2004*.

The Designated Bodies named in the *Public Accounting Act, 2004* are the:

- Certified General Accountants Association of Ontario
- Institute of Chartered Accountants of Ontario
- Society of Management Accountants of Ontario

At January 22, 2008, being the date of issuance of this Annual Report, the only Authorized Designated Body is the Institute of Chartered Accountants of Ontario.

Public accounting is the business of expressing independent assurance and certain other services in respect of financial statements and other financial information of enterprises where it can reasonably be expected that the services will be relied upon or used by a third party.

The Council's Standards were finalized and adopted on June 20, 2006 and are published on the Council's website at www.pacont.org. The Council's Standards require a Designated Body that seeks to be authorized to license and govern the activities of its members as public accountants to meet certain minimum standards relating to its:

- education, examination and practical experience requirements;
- rules of professional conduct, mandatory practice inspections of public accountants, the use of generally accepted accounting principles and generally accepted assurance

standards, discipline procedures, the issuing of new licences to former licensees, the issuing of licences to persons who are permitted to practice in other jurisdictions, and mandatory professional liability insurance; and

- governance standards respecting the licensing and governing the activities of its members as public accountants.

The Council has adopted Council Guidelines dealing with aspects of the Council's Standards where it is in the public interest that the Authorized Designated Bodies have a consistent approach. Council Guidelines are published on the Council's website.

GOVERNANCE

Composition of the Council

The Council is comprised of 17 Members:

- Nine Members appointed by the Lieutenant Governor in Council*
- Two Members appointed by the Certified General Accountants Association of Ontario
- Four Members appointed by the Institute of Chartered Accountants of Ontario
- Two Members appointed by the Society of Management Accountants of Ontario

* At January 22, 2008, being the date of issuance of this Annual Report, there is a vacancy in the number of Members required to be appointed by the Lieutenant Governor in Council.

Each Member of the Council holds office for a term of up to three years from the date of his or her appointment and may be reappointed for up to four additional terms.

The Chair and the Vice Chair of the Council are appointed by the Lieutenant Governor in Council for an initial term of two years from the date of their appointment. The Chair and Vice Chair may be reappointed for an additional term.

Compensation Framework

The compensation of the Members of the Council, including the Chair and Vice Chair, is prescribed by the Lieutenant Governor in Council in Regulations made under the *Public Accounting Act, 2004*.

Members of the Council, with the exception of the Chair and the Vice-Chair, are compensated in accordance with the following framework:

- Meeting Attendance Fee: $700 per meeting ($350 for meetings under three hours)
- Preparation Time: $700 per meeting ($350 for meetings under three hours)
- Travel Time: $100 per hour**

The compensation of the Chair is $250,000 per annum.

The compensation of the Vice Chair is $1,000 per meeting attended ($500 for meetings under three hours) and $1,000 for preparation time per meeting ($500 for meetings under three hours).

All Council Members, including the Chair and the Vice Chair, are reimbursed for related travel and out-of-pocket expenses.

** Payable to Members of the Council (other than the Chair) who are required to travel beyond 40 kilometers (one-way) to attend a meeting.

Performance Reviews

The Council has instituted a process for reviewing on an annual basis the performance of the Council, the Committees of the Council, the Chair and the Members of the Council.

Number of Council and Committee Meetings held during the 12 months ended October 31, 2007

The following is the number of Council and Committee meetings held during the 12 month period ended October 31, 2007:

Council	8
Audit Committee	2
Complaint Review Committee	1
Finance Committee	3
Governance Committee	4

Summary of Attendance at Council and Committee Meetings held during the 12 months ended October 31, 2007

The following is a summary of individual Member attendance at Council and Committee Meetings held during the 12 months ended October 31, 2007:

Member	Council Meetings Attended	Committee Meetings Attended
Jalynn Bennett	7 of 8	4 of 4
Alex Browning	4 of 8	1 of 1
Ron Colucci	8 of 8	6 of 6
John Crow	7 of 8	6 0f 6
J. Stefan Dupré	8 of 8	4 of 4
Lili-Ann Foster	6 of 8	-
Colleen Gibb	7 of 8	-
Mervin Hillier (Retired July 31, 2007)	5 of 7	5 of 6
David Hipgrave (Appointed August 1, 2007)	1 of 1	-
Vern Krishna	8 of 8	5 of 5
James Maloney	2 of 8	-
Vinay Mehta	5 of 8	3 of 3
Ralph Neville	7 of 8	4 of 5
Erik Peters	8 of 8	-
Maureen Sabia	7 of 8	7 of 7
Glorianne Stromberg	8 of 8	10 of 10
Michael Walke	7 of 8	4 of 4

COUNCIL MEMBERS

Members Appointed by the Lieutenant Governor in Council

NAME	Term Expires
Jalynn Bennett, CM – Vice Chair President of Jalynn H. Bennett and Associates Ltd. (Toronto, Ontario)	**October 31, 2008**
John Crow, B.A. Corporate Director Former Governor of the Bank of Canada (Toronto, Ontario)	**October 31, 2009**
J. Stefan Dupré, OC, O.Ont, Ph.D. Professor Emeritus of Political Science at the University of Toronto (Toronto, Ontario)	**October 31, 2008**
Lili-Ann Foster President and CEO of Renaud Foster Management Consultants (Ottawa, Ontario)	**October 24, 2008**
James Maloney, LL.B. Partner in the firm of Hughes Amys LLP (Toronto, Ontario)	**October 24, 2008**
Vinay Mehta, LL.B. Legal Counsel with the Canadian Imperial Bank of Commerce (Toronto, Ontario)	**October 31, 2008**
Maureen Sabia, B.A., J.D. Chair, Canadian Tire Corporation, Limited (Toronto, Ontario)	**October 31, 2008**
Glorianne Stromberg, B.A., LL.B. Chair of the Council and Secretary (Toronto, Ontario)	**August 21, 2009**

Members Appointed by the Certified General Accountants Association of Ontario

Name	Term Expires
Ron Colucci, MBA, FCGA Operates an accounting, income tax and business advisory practice; Chair of the Certified General Accountants Association of Canada (Mississauga, Ontario)	**October 31, 2008**
Vern Krishna, CM, QC, LL.D., FRSC, FCGA Professor of Law at the University of Ottawa and Counsel, Borden Ladner Gervais, LLP (Ottawa, Ontario)	**October 31, 2008**

Members Appointed by the Institute of Chartered Accountants of Ontario

Name	Term Expires
Colleen E. Gibb, FCA, CFE Partner in the Firm of Gibb Widdis, Chartered Accountants (Ancaster, Ontario)	**October 31, 2008**
Ralph T. Neville, FCA Consultant Formerly Senior Tax Partner with BDO Dunwoody LLP (Oakville, Ontario)	**October 31, 2008**
Erik Peters, FCA Retired Auditor-General of Ontario Member of the Auditing and Assurance Standards Oversight Council (Ottawa, Ontario)	**October 31, 2008**
Michael Walke, CA Audit and Assurance Partner, PricewaterhouseCoopers LLP (Toronto, Ontario)	**October 31, 2008**

Members Appointed by the Society of Management Accountants of Ontario

Name	Term Expires
Alex Browning, MBA, FCMA Senior Vice President, Finance and Administration Liquor Control Board of Ontario (Toronto, Ontario)	**October 31, 2008**
David J. Hipgrave, FCMA, P.Eng Consultant; Formerly President & CEO of the Society of Management Accountants of Ontario (Mississauga, Ontario)	**July 31, 2010**

COUNCIL COMMITTEES

Audit Committee

Members: Maureen Sabia (Chair)
Ron Colucci
John Crow
Vinay Mehta
Glorianne Stromberg (ex officio)

The Audit Committee's responsibilities include the review of the Council's financial statements, the Council's risk management internal control functions, and with effect from November 1, 2007, the review of the Council's budget. The Audit Committee is chaired by a Member appointed by the Lieutenant Governor in Council and a majority of its Members are appointees of the Lieutenant Governor in Council.

Effective January 1, 2008, Ron Colucci, Vinay Mehta and Glorianne Stromberg will cease to be Members of the Audit Committee and Erik Peters will become a member of the Audit Committee.

Complaint Review Committee

Members: Vinay Mehta (Chair)
Alex Browning
Vern Krishna
Ralph Neville
Glorianne Stromberg

Effective October 31, 2007, the Complaint Review Committee (formerly known as the Unauthorized Practice Committee) was dissolved. Its functions, which included reviewing complaints about unauthorized practice and investigations into whether offences under the Public Accounting Act, 2004 had occurred, with a view to recommending appropriate action for the Council to take, will be performed by the Council.

The Complaint Review Committee was chaired by a Member appointed by the Lieutenant Governor in Council. In addition, its Members included a nominee of each of the Certified General Accountants Association of Ontario, the Institute of Chartered Accountants of Ontario, and the Society of Management Accountants of Ontario as well as the Chair of the Council who is a nominee appointed by the Lieutenant Governor in Council.

Finance Committee

Members: Jalynn Bennett (Chair)
Ralph Neville (Vice Chair)
Merv Hillier (Vice Chair) - Resigned July 31, 2007
J. Stefan Dupré
Vern Krishna
Glorianne Stromberg

Effective October 31, 2007, the Finance Committee was dissolved. Its functions, which included the review of internal financial statements and the review of the Council's budget, will be

performed by the Council with the assistance of the Audit Committee. Its Members included a nominee of each of the Certified General Accountants Association of Ontario, the Institute of Chartered Accountants of Ontario, and the Society of Management Accountants of Ontario as well as three nominees of the Lieutenant Governor in Council, one of whom chaired the Finance Committee.

Governance Committee

Members: John Crow (Chair)
Mervin Hillier (Vice Chair) – Resigned July 31, 2007
Ron Colucci
Maureen Sabia
Michael Walke
Glorianne Stromberg

The Governance Committee's responsibilities include recommendations for committee structure and membership and Council assessments.

Effective January 1, 2008, John Crow will cease to be a Member and the Chair of the Governance Committee and Maureen Sabia will cease to be a Member of the Governance Committee. Lili-Ann Foster will become a Member and Chair of the Governance Committee and Jalynn Bennett and David Hipgrave will become Members of the Governance Committee. As a result, the Members of the Governance Committee will continue to include a nominee of each of the Certified General Accountants Association of Ontario, the Institute of Chartered Accountants of Ontario, and the Society of Management Accountants of Ontario as well as three nominees of the Lieutenant Governor in Council, one of whom acts as the Chair of the Governance Committee.

MANAGEMENT DISCUSSION AND ANALYSIS

The Council is a corporation without share capital that was continued under the *Public Accounting Act, 2004.* The Act was proclaimed into force on November 1, 2005. As a not-for-profit corporation, the Council is exempt from income taxes.

Operations

The focus of operations in the 2007 fiscal year was on developing the assessment methodology for determining the substantial equivalence of the standards of the Designated Bodies with those of the Council, conducting the assessments of two of the Designated Bodies, improving the operating structure for the Council, developing and adopting the Council's operating policies, developing the Council's website and introducing Council Guidelines.

The operations of the Council are funded by the three Designated Bodies. Annual assessment fees are set based on the estimated net operating expenses of the Council.

Council expenses of $856,179 ($191,295) in 2006), which were incurred in the process of determining whether the standards of the respective Designated Bodies are substantially equivalent to those of the Council, are billed and recoverable from the Designated Bodies.

The main expenses relating to the other operations of the Council are salaries and benefits totalling $624,798 ($1,044,960 in 2006), and Council fees, travel and meetings totalling $143,863 ($775,768 in 2006). Non-recoverable costs incurred for standards-related matters, hearings and prosecutions were not significant in 2007. Total expenses, excluding the recoverable standards assessment expenses, decreased to $1,262,179 in 2007 from $2,380,346 in 2006. This reduction in net operating expenses reflects the transition of the Council's operations to a more standardized basis compared to its first year of operations.

During 2007, the Council issued four Guidelines which are published on the Council's website. The Council Guidelines deal with aspects of the Council's Standards where it is in the public interest that the Authorized Designated Bodies have a consistent approach.

During the year the Council also adopted a Code of Conduct, a Privacy Policy, an Employee Policies Handbook and introduced a self-assessment process to assess the effectiveness of Council and Committee operations.

The operating structure of the Council changed during 2007 with the hiring of a chief executive officer in February, 2007.

The website was updated in 2007 to include the Council Guidelines, the bilingual Roll of Public Accountants and information about proceedings relating to professional misconduct of members of an Authorized Designated Body.

Cash Flow and Liquidity

The Council had cash flow from operations of $908,114 in 2007 ($486,977 in 2006) primarily due to an increase in the amount due to the Designated Bodies. As at year-end, the Council had $1,586,348 ($720,940 in 2006) in cash and short term investments. During the year, the Council

established a policy to maintain minimum net assets approximating 50% of estimated annual net operating expenses.

Looking Ahead

The Council has approved an operating budget of approximately $1,700,000 for the 2008 fiscal year. This budget primarily reflects additional activities associated with Council operations.

FINANCIAL STATEMENTS

Financial statements of

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

October 31, 2007

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To **The Public Accountants Council for the Province of Ontario**

We have audited the balance sheet of The Public Accountants Council for the Province of Ontario as at October 31, 2007 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at October 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

TORONTO, Ontario
November 28, 2007

Signed: "Tinkham & Associates LLP"

Chartered Accountants
Licensed Public Accountants

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Balance Sheet

As at October 31	2007	2006
Assets		
Current		
Cash	**$ 81,304**	$ 89,741
Short term investments (note 3)	**1,505,044**	631,199
Due from Designated Bodies	**-**	201,645
Prepaid expenses	**10,384**	30,368
	1,596,732	952,953
Capital (note 4)	**204,438**	201,262
	$ 1,801,170	$ 1,154,215
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	**$ 296,370**	$ 294,077
Due to Designated Bodies	**627,505**	-
Rebates payable to licencees	**-**	10,350
	923,875	304,427
Net assets		
Invested in capital assets	**204,438**	201,262
Unrestricted	**672,857**	648,526
	877,295	849,788
	$ 1,801,170	$ 1,154,215

Commitment (note 6)

See accompanying notes to financial statements.

On behalf of the Council:

Signed: "Glorianne Stromberg"
Glorianne Stromberg

Signed: "Maureen Sabia"
Maureen Sabia

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Operations

Year ended October 31	2007	2006
Revenues		
Designated Bodies assessment fees	$ 1,223,500	$ 2,687,000
Recovery of Standards assessment expenses	856,179	191,295
Licence fees	10,836	98,215
Interest	55,350	28,673
	2,145,865	3,005,183
Expenses		
Standards assessments - recoverable	856,179	191,295
Salaries and benefits	624,798	1,044,960
Council fees, travel and meetings	143,863	775,768
Office	131,569	105,670
Rent	119,831	82,719
Consultants	85,365	-
Legal advisory	65,907	206,926
Amortization	39,530	12,089
Insurance	15,237	22,132
Audit	14,992	11,854
Standards assessments - non recoverable	12,894	-
Legal and other costs of hearings and prosecutions	8,193	118,228
	2,118,358	2,571,641
Excess of revenues over expenses for the year	$ 27,507	$ 433,542

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Changes in Net Assets

Year ended October 31	Invested in Capital Assets	Unrestricted	2007 Total	2006 Total
Net assets, beginning of year	$ 201,262	$ 648,526	$ 849,788	$ 416,246
Purchases of capital assets	42,706	(42,706)	-	-
Excess (deficiency) of revenues over expenses for the year	(39,530)	67,037	27,507	433,542
Net assets, end of year	$ 204,438	$ 672,857	$ 877,295	$ 849,788

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Cash Flows

Year ended October 31	2007	2006
Cash provided by (used for):		
Operating activities		
Excess of revenues over expenses for the year	$ 27,507	$ 433,542
Adjustments for items which do not affect cash		
Amortization	39,530	12,089
	67,037	445,631
Changes in non-cash working capital balances		
Due (to) from Designated Bodies	829,150	(170,520)
Net decrease (increase) in prepaid expenses	19,984	(15,825)
Net increase (decrease) in accounts payable	2,293	248,466
Net increase (decrease) in rebates payables to licencees	(10,350)	(20,775)
	841,077	41,346
Net cash provided (used for) operating activities	908,114	486,977
Investing activities		
(Purchases) sale of short term investments (net)	(873,845)	(259,498)
(Purchases) of capital assets	(42,706)	(206,370)
Increase (decrease) in cash	(8,437)	21,109
Cash, beginning of year	89,741	68,632
Cash, end of year	$ 81,304	$ 89,741

See accompanying notes to financial statements.

1 Purpose of the organization

The Public Accountants Council for the Province of Ontario (the Council) is a corporation without share capital that was continued under the Public Accounting Act, 2004 (the Act). The Act was proclaimed into force on November 1, 2005.The Council is exempt from income taxes.

The purpose of the Council is to ensure that public accounting in Ontario is practiced in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services. The Council is responsible for:

Developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;

Determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;

Overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and

Maintaining public confidence in public accounting through the appropriate prosecution of offences under the Public Accounting Act, 2004.

The Designated Bodies are the Certified General Accountants of Ontario, the Institute of Chartered Accountants of Ontario and the Society of Management Accountants of Ontario. The Council's operations are funded by the Designated Bodies.

2 Accounting policies

(a) Capital assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the straight-line basis as follows:

Furniture, equipment and systems	- 10% and 25% annually
Leasehold improvements	- over the term of the lease

(b) Short term investments

Short term investments are recorded at cost plus accrued interest.

(c) Revenue recognition

In accordance with section 33 of the Act, the Council prescribes the fees that are to be paid by the Designated Bodies to fund the operations of the Council. These fees are based on the Council's annual budgeted expenditures. The prescribed fees are recognized as revenue in the fiscal year to which the expenses relate.

The Council has retained independent consultants to assist it in determining whether the respective standards of the Designated Bodies are substantially equivalent to the Council's standards. The related recoveries of costs incurred are recognized as revenue when approved as recoverable.

(d) Financial instruments

Council has adopted the recommendations of CICA 3855, Financial Instruments effective November 1, 2006. Cash and short term investments are designated as available for sale and measured at fair value. Accounts payable and accrued liabilities, and due to Designated Bodies are classified as other financial liabilities and are measured at amortized cost.

There is no adjustment required to opening unrestricted net assets as a result of the change in accounting for financial instruments.

3 Short term investments

	2007	2006
Guaranteed investment certificates, with maturity dates ranging from May 29, 2008 to July 24, 2008 (2006 - July 16, 2007 to August 30, 2007) bearing interest at rates of 4.10% and 4.20% (2006 - 3.75% to 3.95%).	**$ 1,481,200**	$ 625,182
Accrued interest	**23,844**	6,017
	$ 1,505,044	$ 631,199

The guaranteed investment certificates are cashable without penalty.

4 Capital assets

			2007
	Cost	**Accumulated Amortization**	**Net Book Value**
Furniture, equipment and systems	**$ 145,901**	**$ 39,106**	**$ 106,795**
Leasehold improvements	**117,172**	**19,529**	**97,643**
	$ 263,073	**$ 58,635**	**$ 204,438**

			2006
	Cost	Accumulated Amortization	Net Book Value
Furniture, equipment and systems	$ 110,628	$ 19,105	$ 91,523
Leasehold improvements	109,739	-	109,739
	$ 220,367	$ 19,105	$ 201,262

5 Non contributory RRSP plan

The Council established a non-contributory RRSP plan effective July 1, 2000. The Council contributed approximately $2,943 (2006 - $8,793) in total to the individual staff members' RRSP plans for the year ended October 31, 2007.

6 Lease commitment

Effective November 1, 2006, Council amended the terms of the lease to increase the space and extend the lease term to December 31, 2011. The minimum lease commitment plus the proportionate share of realty taxes and operating expenses for 2008 is estimated to be $125,000.

7 Financial instruments

The Council's financial instruments consist of cash, short term investments, accounts payable and accrued liabilities and Due to Designated Bodies. Due to their short term nature or capacity for prompt liquidation, the fair values of these financial instruments approximate their carrying value. Short term investments are denominated in Canadian dollars for terms to maturity of less than one year. In Council's opinion there are no significant credit, market, interest rate or currency risks arising from its financial instruments.

CONTACT INFORMATION

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